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TO RUEHC/SECSTATE WASHDC PRIORITY 5241  
INFO RHEHAAA/WHITE HOUSE WASHDC PRIORITY  
RHMCSUU/DEPT OF ENERGY WASHINGTON DC PRIORITY  
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RUEHBS/USEU BRUSSELS PRIORITY  
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RUEHZN/ENVIRONMENT SCIENCE AND TECHNOLOGY COLLECTIVE  
RUEHBJ/AMEMBASSY BEIJING 4003  
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RUEHBR/AMEMBASSY BRASILIA 0425  
RUEHBY/AMEMBASSY CANBERRA 2675  
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RUEHNN/AMCONSUL NAHA 0845  
RUEHOK/AMCONSUL OSAKA KOBE 2193  
RUEHKSO/AMCONSUL SAPPORO 9055

C O N F I D E N T I A L SECTION 01 OF 03 TOKYO 001690

SIPDIS

STATE FOR IO, G, EAP/J AND OES/EGC - HARLAN WATSON, TRIGG  
TALLEY, EDWARD FENDLEY, NORMAN BARTH, AND CHRISTO ARTUSIO  
NSC FOR PAUL BROWN AND JONATHAN SHRIER  
CEQ FOR LANDON VAN DYKE  
PASS TO USAID  
DOC FOR NOAA CLIMATE CHANGE OFFICE - SID THURSTON  
DOE FOR S-3

E.O. 12958: DECL: 06/18/2018  
TAGS: [SENV](#) [ENRG](#) [KGHG](#) [JA](#)  
SUBJECT: CLIMATE CHANGE: FURTHER ON THE "FUKUDA VISION"

REF: TOKYO 1585

TOKYO 00001690 001.2 OF 003

Classified By: Ambassador J. Thomas Schieffer for reasons 1.4 b, d.

11. (C) SUMMARY: Japan's Ministry of Economy, Trade and Industry (METI) officials report the trial emissions trading scheme the PM announced in his "Fukuda Vision" climate change speech June 9 (ref) will likely be "substantially limited" due to time constraints and opposition from industry. The scheme will probably combine elements of proposals from METI and the Ministry of Environment (MOE), and not feature mandatory caps. Moreover, a climate report the GOJ's Council on Global Warming Issues published June 16 seemed to be -- in a possible concession to industry -- less concrete than Fukuda's speech in its proposals. END SUMMARY.

Conversation with METI  
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12. (C) An official in METI's Global Environmental Office, Hisanaga Kawamura, called emboffs June 16 to discuss PM Fukuda's June 9 climate change speech. In the speech, the PM said Japan will launch a trial domestic emissions trading scheme in fall 2008. Kawamura said the GOJ has not yet

decided on the details, but the scope of the scheme would be "substantially limited" given that it will start as soon as the fall.

13. (C) Kawamura said METI assumes the scheme will combine several ongoing projects and ideas from METI and MOE. For the past few years, MOE has run a voluntary program in which approximately 30 participating companies cut emissions or traded credits with other companies and in which MOE provides support for the participating companies to install energy-saving equipment. METI has also proposed what amounts to a domestic version of the Kyoto Protocol's Clean Development Mechanism, in which companies belonging to Nippon Keidanren (the Japan Business Federation) would play the role of developed nations, buying credits from non-Keidanren companies (developing nations) to realize voluntary targets.

14. (C) Noting that both these programs are voluntary, Kawamura said METI does not think the fall trial system will involve mandatory caps due to opposition from industry. Right after Fukuda's speech, the Federation of Electric Power Companies of Japan and the Japan Iron and Steel Federation expressed opposition to a cap-and-trade system. "That would be a point to be negotiated" between industry and the government before the GOJ puts a system in place, Kawamura said.

#### Report from PM's Council on Global Warming Issues

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15. (C) Also on June 16, PM Fukuda's Council on Global Warming Issues, chaired by former Toyota Chairman Hiroshi

TOKYO 00001690 002.2 OF 003

Okuda, published a report on "Aiming for a Low-carbon Society." It suggests Japan adopt a domestic long-term target emissions reduction target of 60-80% by 2050, but regarding mid-term targets only says the goal "has to be ambitious." Also, while Fukuda called for a ten-fold increase in solar power by 2020 in his June 9 speech, the Council's report merely says the GOJ should take the lead in actively introducing renewable energy sources such as solar.

16. (SBU) The next day, the Japanese mainstream press described the Council's report as a step back from the Fukuda Vision (June 17 Sankei Shimbun), or "a product of compromise" (June 17 Asahi Shimbun). The June 17 Mainichi Shimbun reported Fukuda had originally planned to publish his Vision after the Council's report, but noticed opposition in the Council to his idea for domestic emissions trading. The Mainichi article asserted he wrote his speech with a few staff members and made it a surprise announcement -- a point others have made to Emboffs (ref). The Mainichi report quoted "GOJ sources" as saying "nothing can be decided by interagency negotiations," but also quoted a senior MOFA official saying "(Fukuda) might fail if he does not skillfully utilize GOJ agencies' expertise." The June 17 Nikkei Shimbun suggested consideration for industry's concerns watered down the report, pointing out that Keidanren donated 2.5 billion yen (23 million dollars) to the ruling Liberal Democratic Party in FY 2006, a 5% increase over FY 2005.

17. (SBU) Though the final Council report is vague, on June 17 Fukuda directed his Cabinet to come up with action plans by July to implement recommendations in both the Council's report and the Fukuda Vision. A new "Conference on Promoting a Low-carbon Society," attended by Director-General-level officials from across the GOJ, is to develop plans and work with specific agencies. The plans will set out roadmaps on points such as low-carbon technology development and solar power generation. As necessary, items can be included in the GOJ's budget request put forth in August.

Comment

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18. (C) Even if the Council's report represents a concession to industry opposition, Fukuda is showing a determination to put forward proposals in the run-up to Japan's July G8 Summit. Reports suggest the PM may also override the bureaucracy's concerns about the feasibility of his ideas. Okuda told a press conference June 17 that Japanese industry would take the fall trial system seriously. He also said Japan will ultimately adopt a mid-term emissions reduction target of 25-40% below 1990 levels, as recommended by the UN Intergovernmental Panel on Climate Change. Environment Minister Kamoshita said the same in testimony to the Diet June 10. Given that the PM already showed a willingness to bypass the bureaucracy in drafting his Vision on climate,

TOKYO 00001690 003.2 OF 003

METI's sense that emissions trading and other aspects of the Fukuda Vision will have to be limited and voluntary to cater to Japanese industry may be overly optimistic. End Comment.  
SCHIEFFER